

House File 112 - Introduced

HOUSE FILE 112

BY BRINK

A BILL FOR

1 An Act relating to certain tax credits and assistance awarded
2 by the economic development authority, and including
3 effective date provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15.119, subsection 2, paragraphs d and e,
2 Code 2021, are amended to read as follows:

3 d. The tax credits for investments in qualifying businesses
4 issued pursuant to [section 15E.43](#). In allocating tax credits
5 pursuant to [this subsection](#), the authority shall allocate at
6 least two million but not more than four million dollars for
7 purposes of this paragraph, unless the authority determines
8 that the tax credits awarded will be less than that amount.

9 e. The tax credits for investments in an innovation fund
10 pursuant to [section 15E.52](#). In allocating tax credits pursuant
11 to [this subsection](#), the authority shall allocate at least six
12 million but not more than eight million dollars for purposes of
13 this paragraph, unless the authority determines that the tax
14 credits awarded will be less than that amount.

15 Sec. 2. Section 15.119, Code 2021, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 2A. On or before June 30 of each year,
18 the authority shall determine the amount of tax credits that
19 shall be issued pursuant to sections 15E.43 and 15E.52 for
20 the following fiscal year. In allocating the amount of tax
21 credits authorized pursuant to subsection 1 among the programs
22 specified in subsection 2, the aggregate amount allocated by
23 the authority for purposes of subsection 2, paragraphs "d" and
24 "e", shall not exceed ten million dollars.

25 Sec. 3. Section 15.327, Code 2021, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 27. "*Rural community*" means any city
28 located in this state with a population of thirty thousand
29 or less in a county with a population of fifty thousand or
30 less. A rural community located in more than one county shall
31 be considered to be located in the county having the greatest
32 taxable base within the city.

33 Sec. 4. Section 15.335A, subsection 1, unnumbered paragraph
34 1, Code 2021, is amended to read as follows:

35 Tax incentives are available to eligible businesses as

1 provided in this ~~section~~ subsection and subsection 1A. The
2 incentives are based upon the number of jobs created or
3 retained that pay at least one hundred twenty percent of the
4 qualifying wage threshold and the amount of the qualifying
5 investment made according to the following schedule:

6 Sec. 5. Section 15.335A, Code 2021, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 1A. Tax incentives are available to
9 eligible businesses located in rural communities as provided
10 in this subsection. The incentives are based upon the number
11 of jobs created or retained that pay at least one hundred ten
12 percent of the qualifying wage threshold and the amount of the
13 qualifying investment made according to the following schedule:

14 a. The number of jobs is zero and economic activity is
15 furthered by the qualifying investment and the amount of the
16 qualifying investment is one of the following:

17 (1) Less than fifty thousand dollars, then the tax incentive
18 is the investment tax credit of up to two percent.

19 (2) At least fifty thousand dollars but less than two
20 hundred fifty thousand dollars, then the tax incentives are the
21 investment tax credit of up to two percent and the sales tax
22 refund.

23 (3) At least two hundred fifty thousand dollars, then the
24 tax incentives are the investment tax credit of up to two
25 percent, the sales tax refund, and the additional research and
26 development tax credit.

27 b. The number of jobs is one but not more than five and the
28 amount of the qualifying investment is one of the following:

29 (1) Less than fifty thousand dollars, then the tax incentive
30 is the investment tax credit of up to three percent.

31 (2) At least fifty thousand dollars but less than two
32 hundred fifty thousand dollars, then the tax incentives are the
33 investment tax credit of up to three percent and the sales tax
34 refund.

35 (3) At least two hundred fifty thousand dollars, then the

1 tax incentives are the investment tax credit of up to three
2 percent, the sales tax refund, and the additional research and
3 development tax credit.

4 *c.* The number of jobs is six but not more than ten and the
5 amount of the qualifying investment is one of the following:

6 (1) Less than fifty thousand dollars, then the tax incentive
7 is the investment tax credit of up to four percent.

8 (2) At least fifty thousand dollars but less than two
9 hundred fifty thousand dollars, then the tax incentives are the
10 investment tax credit of up to four percent and the sales tax
11 refund.

12 (3) At least two hundred fifty thousand dollars, then the
13 tax incentives are the investment tax credit of up to four
14 percent, the sales tax refund, and the additional research and
15 development tax credit.

16 *d.* The number of jobs is eleven but not more than fifteen
17 and the amount of the qualifying investment is one of the
18 following:

19 (1) Less than fifty thousand dollars, then the tax incentive
20 is the investment tax credit of up to five percent.

21 (2) At least fifty thousand dollars but less than two
22 hundred fifty thousand dollars, then the tax incentives are the
23 investment tax credit of up to five percent and the sales tax
24 refund.

25 (3) At least two hundred fifty thousand dollars, then the
26 tax incentives are the investment tax credit of up to five
27 percent, the sales tax refund, and the additional research and
28 development tax credit.

29 *e.* The number of jobs is sixteen or more and the amount of
30 the qualifying investment is one of the following:

31 (1) Less than fifty thousand dollars, then the tax incentive
32 is the investment tax credit of up to six percent.

33 (2) At least fifty thousand dollars but less than two
34 hundred fifty thousand dollars, then the tax incentives are the
35 investment tax credit of up to six percent and the sales tax

1 refund.

2 (3) At least two hundred fifty thousand dollars, then the
3 tax incentives are the investment tax credit of up to six
4 percent, the sales tax refund, and the additional research and
5 development tax credit.

6 *f.* The number of jobs is thirty-one but not more than forty
7 and the amount of the qualifying investment is at least five
8 million dollars, then the tax incentives are the local property
9 tax exemption, the investment tax credit of up to seven
10 percent, the sales tax refund, and the additional research and
11 development tax credit.

12 *g.* The number of jobs is forty-one but not more than sixty
13 and the amount of the qualifying investment is at least five
14 million dollars, then the tax incentives are the local property
15 tax exemption, the investment tax credit of up to eight
16 percent, the sales tax refund, and the additional research and
17 development tax credit.

18 *h.* The number of jobs is sixty-one but not more than
19 eighty and the amount of the qualifying investment is at least
20 five million dollars, then the tax incentives are the local
21 property tax exemption, the investment tax credit of up to nine
22 percent, the sales tax refund, and the additional research and
23 development tax credit.

24 *i.* The number of jobs is eighty-one but not more than one
25 hundred and the amount of the qualifying investment is at least
26 five million dollars, then the tax incentives are the local
27 property tax exemption, the investment tax credit of up to ten
28 percent, the sales tax refund, and the additional research and
29 development tax credit.

30 *j.* The number of jobs is at least one hundred one and the
31 amount of the qualifying investment is at least ten million
32 dollars, then the tax incentives are the local property
33 tax exemption, the investment tax credit of up to eleven
34 percent, the sales tax refund, and the additional research and
35 development tax credit.

1 Sec. 6. Section 15.335B, subsection 3, paragraph c, Code
2 2021, is amended to read as follows:

3 c. (1) Consider the amount and type of the local community
4 match. The as follows:

5 (a) In a community with a population of less than five
6 thousand, a community match shall not be required.

7 (b) In a community with a population equal to or greater
8 than five thousand, but less than fifteen thousand, a community
9 match of at least five percent of the projected funds to be
10 expended by the eligible business shall be required.

11 (c) In a community with a population equal to or greater
12 than fifteen thousand, but less than thirty thousand, a
13 community match of at least ten percent of the projected funds
14 to be expended by the eligible business shall be required.

15 (d) In a community with a population equal to or greater
16 than thirty thousand, a community match of at least twenty
17 percent of the projected funds to be expended by the eligible
18 business shall be required.

19 (2) Notwithstanding subparagraph (1), the authority may
20 provide assistance to an early-stage business in a high-growth
21 industry regardless of the amount of local match involved.

22 Sec. 7. NEW SECTION. 15.337A Rules.

23 The authority shall adopt rules pursuant to chapter 17A to
24 administer this part.

25 Sec. 8. Section 15E.43, subsection 2, paragraphs b and c,
26 Code 2021, are amended to read as follows:

27 b. The maximum amount of a tax credit that may be issued
28 per calendar fiscal year to a natural person and the person's
29 spouse or dependent shall not exceed one hundred thousand
30 dollars combined. For purposes of this paragraph, a tax
31 credit issued to a partnership, limited liability company, S
32 corporation, estate, or trust electing to have income taxed
33 directly to the individual shall be deemed to be issued to
34 the individual owners based upon the pro rata share of the
35 individual's earnings from the entity. For purposes of this

1 paragraph, "*dependent*" has the same meaning as provided by the
2 Internal Revenue Code.

3 c. The maximum amount of tax credits that may be issued
4 per calendar fiscal year for equity investments in any one
5 qualifying business shall not exceed five hundred thousand
6 dollars.

7 Sec. 9. EFFECTIVE DATE. This Act, being deemed of immediate
8 importance, takes effect upon enactment.

9	EXPLANATION
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10 The inclusion of this explanation does not constitute agreement with
11 the explanation's substance by the members of the general assembly.

12 This bill relates to certain tax credits and assistance
13 awarded by the economic development authority.

14 The bill directs the economic development authority to
15 determine on or before June 30 of each year the amount of tax
16 credits that will be issued for the following fiscal year
17 for equity investments in qualifying businesses pursuant to
18 Code section 15E.43 and in innovation funds pursuant to Code
19 section 15E.52. The bill caps the aggregate amount of these
20 tax credits at \$10 million.

21 The bill changes the maximum amount of tax credits that may
22 be issued in a year to a natural person and the person's spouse
23 or dependant, or for equity investments in any one qualifying
24 business, from a calendar year basis to a fiscal year basis.

25 The bill provides for tax incentives for eligible businesses
26 in rural communities. "Rural community" is defined in the bill
27 as a city located in this state with a population of 30,000 or
28 less in a county with a population of 50,000 or less. If the
29 rural community is located in more than one county, the rural
30 community is considered to be located in the county that has
31 the greatest taxable base within the city. The tax incentives
32 are based upon the number of jobs created or retained that pay
33 at least 110 percent of the qualifying wage threshold and the
34 amount of the qualifying investment. The tax incentives are
35 based upon a schedule as detailed in the bill.

1 The bill also details the requirements for a community
2 match, based on the size of the community, in order for an
3 eligible business to be awarded assistance by the authority
4 from the fund created in Code section 15.335B.

5 The bill directs the authority to adopt rules to administer
6 the high quality jobs program.

7 The bill takes effect upon enactment.